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To The ADVISORY BOARD
ON TARIFF AND TAXATION

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COAL and COKE

Tariff Items No. 1019 and 1049

THE STEEL COMPANY OF CANADA, LIMITED
HAMILTON, Ontario.

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THE STEEL COMPANY OF CANADA, LIMITED
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September 24th, 1928.

To The Advisory Board on Tariff and Taxation

Brief submitted on behalf of the STEEL COMPANY OF CANADA, LIMITED, Hamilton, Ontario, in respect to the application of The British Empire Steel Corporation, Limited, January 18th, 1927, asking for the cancellation of Tariff Items Nos. 1019 and 1049.

Through the courtesy of your Board, we have been provided with a copy of the application made on January 18th, 1927, by the British Empire Steel Corporation, Limited, having reference to certain provisions in the Customs Tariff affecting Coal and Coke.

In submitting our views to you on the subjects referred to in the application, we wish to make it perfectly clear that the position we take is compelled by reason of the manner in which our interests would be affected by any action in keeping with the suggestions presented to you.

We do not wish to be misunderstood, however, as failing in sympathy with the desire which prevails in the Maritime Provinces that some measures may be adopted which will assist conditions in that section of the country. We believe general sympathy prevails and we subscribe to the feeling that it may be possible to render relief of a constructive character.

Necessarily all such suggestions and proposals will require most careful consideration, as it will not be conceived desirable that, to aid the situation in the Maritimes, legislation should be adopted of a character which would cause injury to other sections of the country.

We believe that it will be possible to help the Maritime situation without endangering the economic welfare of the other provinces. It is, therefore, in connection with the form of relief suggested that we regret to find our views in conflict with those of others engaged in the same industry as ourselves. We shall hope, in submitting our case, to be able to convince you of the soundness of the position we take, which the representations submitted to you require us to defend.

The application involves two important matters which affect our interests, and which we consider should be dealt with separately.

1. Customs Tariff Item 1049, Bituminous Coal when imported by proprietors of By-Product Coke Ovens for the manufacture of Domestic Coke.

2. Customs Tariff Item 1019, Bituminous Coal for the manufacture of Coke used for the smelting of metals from ores.

Customs Tariff Item No. 1049

We will consider, firstly, Customs Tariff Item 1049, and our argument in this regard will deal solely with the use of Coal for the production of Coke for domestic use.

> *Item No. 1049, Bituminous Coal*—when imported after the twenty-fourth day of March, 1925, by proprietors of by-product recovery coke ovens and converted into coke at their by-product recovery coke ovens. Provided that no drawback shall be paid under this item on coal converted into coke at a gas retort plant or at a plant using any other process than the by-product coke process, also provided that drawback payable under this item is in lieu of drawback payable under any other item. Drawback 99%.

The application before you requests the cancellation of the drawback provided, making Coal for the production of Domestic Coke dutiable at 50 cents per ton.

History of Coal and Coke Duties

It is desirable to examine the history of the duties applying to Coal and Coke.

At Confederation both Coal and Coke entered Canada free of duty.

On May 12th, 1870, Coal and Coke were made dutiable at the rate of 50 cents per ton with a surtax of 5% of the duty.

April 1st, 1871, both Coal and Coke were made free.

May 15th, 1879, Coal and Coke were made dutiable at the rate of 50 cents per ton, which duty on Bituminous Coal was increased to 60 cents per ton on March 10th, 1880.

April 1st, 1885, Gas Coke was made free. This was followed by the placing of Anthracite Coal on the free list May 13th, 1887, and all Coke was made free on March 27th, 1894.

With the development of the By-Product Oven, Coke of high quality and most suitable for domestic use, became a fuel entering into competition with Anthracite Coal.

Before Item No. 1049 was established, on March 25th, 1925, the situation which had existed for many years was as follows:

Duty Disadvantage

Bituminous Coal for the production of Coke for domestic use was dutiable, while Coke for domestic use was free, and Anthracite Coal was likewise accorded free entry. Such conditions absolutely deterred the production in Canada of By-Product Coke for domestic use, as will be understood from the fact that it requires at least 1.4 to 1.5 tons of Bituminous Coal to produce a ton of saleable Coke. Taking the former figure, it will be observed that the Canadian producer of Coke would have to assume a disadvantage, compared with the external producer, of the duty on Coal at the rate of 50 cents per ton plus 40%, or at least 70 cents duty on the amount of coal required to produce a ton of Coke.

Freight Disadvantage

In the matter of transportation costs, the Canadian producer was also at a disadvantage, because the freight paid on 1.4 tons of Coal involved a greater outlay than the freight per ton of Coke shipped from external points of production. Therefore, the producer of Coke located outside of the country had the advantage of selling to the Canadian market duty free besides the ability to ship his product to Canadian points of consumption at a lower cost of transportation, while the producer in Canada had to assume the duty on the Coal of at least 70 cents, making it most difficult, if not impossible, for Canadian By-Product Ovens to compete. This was the situation which Item 1049 was intended to remedy.

In the application and evidence submitted, there was probably no intention to mislead your Board by any statements made, but it might be inferred that the Steel plants engaged in the production of Coke used in the smelting of metals from ores, have engaged in the production of domestic coke to the disadvantage of the applicants.

We quote from their statement, as follows:

> "We would, in this connection, direct the attention of the "Advisory Board to the fact that the Companies making large "quantities of Coke for Iron and Steel processes in their Works, "are selling Coke to the general public for domestic and varied "purposes, etc.
>
> "An advantage, in this instance, being taken of Item 1019 "that was certainly not contemplated at the time of its enact"ment."

Withdrawn

We should like to make it perfectly clear that the participation of this Company in the sale of Coke as a domestic fuel, was not carried on under Item 1019 but occurred only after the establishment of Item 1049.

Canadian Coal Not Displaced

Inasmuch as The Steel Company of Canada did not participate in the sale of Domestic Coke prior to the enactment of Item No. 1049, it is prima facie evidence that the importations of United States fuel did not supplant the product of Maritime coal mines, as the business was not possible under the conditions previously existing. It is equally true that Maritime Coal was not available in Hamilton, even with the full advantage of the duty, consequently we cannot see that anything has been done to affect adversely the interests of the applicants.

Coke Replaces Anthracite

Our participation in the domestic Coke business has served to displace, not Maritime Coal or Coke, but an equivalent tonnage of imported United States Anthracite Coal or Coke. There has been no revenue relinquished by the country, because both Anthracite Coal and Coke have entered free of duty. If Item 1049 had not been enacted, larger quantities of Anthracite Coal and Coke would have been imported from the United States.

Also, as we were not previously importing Coal for the manufacture of domestic Coke, no duty was being paid and, therefore, no revenue could have been lost by the Government.

The increasing sale of Coke to replace Anthracite as a domestic fuel, on the other hand, should assist the position of the applicants, by increasing the amount of public support given to Coke as a domestic fuel, and thereby encouraging its use in those sections of the country where Maritime Province Coke would find its natural market. We trust we have made it quite clear that the interests of the applicants have not been affected, nor have they suffered in any way by our actions under Item 1049.

Reference should be made to two important points in order to disclose the situation surrounding the manufacture and sale of Domestic Coke.

Firstly: We would emphasize the desirability of encouraging the establishment of By-Product Coke Ovens in Canada. This is especially advantageous by reason of the By-Product fertilizer made available, a matter of importance to agricultural interests, as well as the resulting Gas, Tar and Motor Fuel, in addition to the Coke itself, besides which, employment for Canadian labour is provided.

Endorsation Dominion Fuel Board

This matter is referred to in the Interim Report of The Dominion Fuel Board, May 21st, 1923, page 16, from which we quote as follows:

"Coking Bituminous Coal for Domestic Heating."

"The Board is convinced of the importance of an investi-"gation into the feasibility of establishing by-product recovery "coking plants in the larger centres of population. Not only "are there the Nova Scotia and New Brunswick coals to draw "upon, but, as stated before, there are immense reserves of "United States bituminous coal that could be imported for "coking. Briefly, the plan would be to establish coking plants "at large well-situated centres of population like Montreal, "and Toronto, where the coke would be manufactured and "shipped to tributary territory and the gas, which is the most "important by-product, used at the point of manufacture. "Other valuable by-products, such as tar, ammonium sulphate, "and benzol, are obtained, and the success of such an industry "depends on the disposal of these. Great improvements have "been made in the technique of the manufacture of domestic "coke even very recently, and the product made is much "superior to the ordinary gas-house coke. It is a dense material "of approximately the same heating value as Anthracite, and "it should be produced at a price to compete with it."

It will be observed that the conclusions of the Dominion Fuel Board embraced the use of both Maritime Coal and U. S. Bituminous Coal, and their ideas of fuel dependence or independence were evidently predicated on the belief that it is preferable for Canada to import U. S. Bituminous Coal in districts where Canadian Coal is not economically available, rather than continue to import Anthracite Coal. This is doubtless because the purchase price of Anthracite Coal would involve a very much greater external expenditure than the use of Bituminous Coal imported for the production of Domestic Coke, not to speak of the advantages already referred to in the way of By-Products, employment, etc.

Considering that there have been no By-Product Coke Ovens established (except at Sydney) within the zones of influence reached by Maritime Provinces' Coal, even when such Coal has had the advantage of the regular duty, it would seem evident that such By-Product Ovens as have been established elsewhere, cannot have affected, in any way, the interests of the Lower Province Coal producers.

1 Montreal Gas
1. Halifax projected

Secondly: It seems desirable to establish the relationship of Coke for domestic use as affected by the consumption of Anthracite Coal for similar purposes. Anthracite Coal has entered Canada duty free since 1887. This necessarily required that free entry should likewise be accorded coke for domestic use. In natural sequence it required the free entry of Coal for the production of Domestic Coke. This, we think, exposes the situation surrounding the production of By-Product Coke for domestic use and the position of Item No. 1049.

If it is proposed to establish a duty on coal for the production of Domestic Coke, this would make it necessary to place a duty as well on Coke for Domestic use. The proposed duty on Domestic Coke would need to be at least sufficient to equal the amount of duty paid on the tonnage of coal required to produce a ton of Domestic Coke. It would also require a similar duty on Anthracite Coal because the latter competes directly with Coke as a domestic fuel.

The price of Anthracite Coal governs the market price available for Domestic Coke. Inasmuch as the latter is compelled to find a market with users who have for many years been accustomed to Anthracite Coal, it is necessary to sell Domestic Coke at an attractive price. If the cost of Coal is enhanced by a duty, the equivalent amount involved must be applied as a duty against Coke produced externally, and as well to importations of Anthracite.

We do not question the right of the applicants to make the suggestion which they offer, that Coal should be made dutiable for the manufacture of *Domestic* Coke, but we submit that the request for a duty on Coal for the manufacture of Domestic Coke, should be accompanied by the necessary conditions requiring an adequate duty on both Coke for domestic needs and Anthracite Coal, in order that their position should be fair to others who are engaged in the domestic fuel business, and have made important investments for the production of domestic fuel in Canada.

Customs
Tariff Item
No. 1019

The second matter to be dealt with is Customs Tariff Item 1019:

> *Item No. 1019. Bituminous Coal*—when imported by proprietors of coke ovens and converted at their coke ovens into coke for use in the smelting of metals from ores and in the melting of metals. Drawback 99%.

The application of the British Empire Steel Corporation requests the cancellation of this item in which we are very much interested as producers of Coke used in our own Blast Furnaces for the manufacture of Pig Iron.

Tariff
History

As referred to already, all Coke was made free on March 27th, 1894. It is necessary to appreciate the fact that the production of Pig Iron and Steel in Canada was, at that time, of very limited proportions. The government had in effect a system of bounties, first established July 1st, 1883, applying to Pig Iron, and later extended to Steel in 1894. These bounties varied throughout their existence but remained in effect until 1911. The bounties were available to all producers in Canada, and necessarily, in supporting the development of Pig Iron production in Canada, the Government placed all Coke on the free list March 27th, 1894. In the natural evolution of the business it became desirable to produce Coke adjacent to the blast furnaces where it is used, and consequently on November 30th, 1906, it followed that Coal for the production of Coke used in the smelting of metals from ores was made subject to drawback of duty under Item No. 1019.

The establishment of this item did not alter the situation insofar as Maritime Coal is concerned, as Coke had been admitted for twelve years free of duty.

The applicants, in their statement, submit that "the drawback under Item 1019 is a discrimination against and a discouragement to Coal mining in Canada, and also frustrates the effect of the import duty on Coal." We believe that this claim is incorrect, and that their request for the cancellation of Item 1019 is quite unwarranted.

Such action would be most unfair to the interests of Pig Iron producers who have been established in Ontario for many years, and have been able throughout their entire history to procure Coke for the smelting of metals on a duty free basis.

Hamilton Furnace Operating Since 1895

It may not be realized by your Board that the original Hamilton blast furnace was blown in December 30th, 1895, just after Coke was made free. It is the oldest Blast Furnace operation which has produced Pig Iron continuously since that time, and is still on the active list.

Canadian Coal Not Available

In expressing our opinion that the item does not discriminate against, nor does it discourage, coal mining in Canada, we should like to point out that the Ontario furnaces for the production of Pig Iron are located at Hamilton and Sault Ste. Marie.* At these points the applicants do not sell coal, either Slack or Run-of-Mine, for general use, under the existing duty of 50 cents per net ton, even with the advantage of water transportation. It is apparent, therefore, that inasmuch as they have been unable to serve the general market at these points with the advantage of the existing duty, it would be impossible for the applicants to furnish the requirements of these producers of Metallurgical Coke.

The cancellation of the item, as requested, would not add a ton to the Coal sales of the Maritime producers, and would only serve to add to the cost of producing Coke, Pig Iron and Steel in

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*Also at Port Colborne.

Ontario to the extent of the duty collected on the coal which would *still require to be imported.*

The effect of the imposition of the duty on Coal is emphasized by the fact already drawn to your notice, viz., that duty at the rate of 50 cents per ton would involve an additional cost of at least 70 cents per ton of Coke. The Ontario steel plants already have to assume a serious burden, as compared with Maritime plants, in the cost of transporting their supplies of Coal, which are procurable only from distant points in the United States.

High Freight Cost

In the case of this company it involves an average freight charge of $3.44 per net ton of coal. Based upon the amount of coal required to produce a ton of Coke the expenditure *for freight only*, therefore, amounts to $4.82 per net ton of Coke produced. This constitutes, as will be realized, a very serious disadvantage as contrasted with the position of furnaces located adjacent to their supply of coal, as is the case in the Lower Provinces.

The duty on Coal we are asked to assume, and which, as we have pointed out, will not benefit the Coal production of those in whose interests the request is made, represents a substantially higher rate of duty than is accorded to most of the important lines constituting our principal products.

For the years ending March 31st, 1926 and 1927, the importations of Bituminous Coal, N.O.P., as per the Blue Book figures, were as follows:

IMPORTATIONS OF BITUMINOUS COAL, AND COAL N.O.P.

YEARS ENDING MARCH 31ST

	1926	1927
Tonnage imported	13,377,204 N.T.	13,079,418 N.T.
Value	$ 28,781,771	$ 26,980,950
Average Value	$ 2.15 per N.T.	$ 2.06 per N.T.
Rate of duty—specific	.50 "	.50 "
Equal to an ad valorem rate of	23%	24%

Imports of Steel

In contrast to this, an exhibit (Schedule "A") is attached, representing the importations into Canada of Iron and Steel products such as are manufactured in this country. The average rate of duty collected on such importations is approximately 10%. The rates of duty on Pig Iron, Billets, Wire Rods, Bars and Sheets, which are the important heavy lines we manufacture, all carry comparative ad valorem rates lower than the average ad valorem rate on Coal just mentioned.

Withdrawn

Steel Duty Free

We also submit for your examination a list (Schedule "B") of over fifty items taken from the Customs Tariff of Iron and Steel for various purposes and in various forms, which are permitted to enter Canada free of duty.

It may be cited also that the position of this Company was materially affected by the tariff changes of 1924, which placed Pig Iron and Rolled Steel on the free list when used in the manufacture of Agricultural Implements, involving a very substantial share of our business in these lines. It seems to us, therefore, that it would be quite unfair and unjust to impose a duty on Coal for the production of Metallurgical Coke, when such a duty would not assist the consumption of Canadian Coal and would only add to the cost of Ontario producers of Pig Iron and Steel.

In a memorandum published by the Dominion Fuel Board, Department of Mines, Sessional Paper No. 95, page 22, this point is emphasized by the following statement:

> "The Steel industry in Canada has to meet severe com-"petition from other countries. A higher cost of coal, or its "derivative coke, would tend to increase the difficulties of "meeting this competition in the case of Steel Companies who "were not proprietors of coal supplies."

Canadian Steel Production Discouraged

Dealing further with the tariff as affecting the position of Iron and Steel manufacturers in Canada, and particularly those whose interests would be affected by the proposed cancellation of Item 1019, we believe you will appreciate that already under existing conditions the position of Canadian Steel Producers is a most difficult one. The production of steel in Canada is limited, and it is unfortunate to have to record the fact that in the years 1926 and 1927 it was practically on a par with the production of fifteen years ago. During the twelve months ending December 1927, the United States shipped Iron and Steel products into Canada to the extent of over 900,000 tons, a greater tonnage than the total production of Canada for the same period. Imports have also been heavy from Continental sources. It seems rather inappropriate that the applicants should have addressed you once before seeking assistance in the way of higher duties on Iron and Steel Products, and now suggest changes in the tariff which would not assist their coal production but would only serve to increase the cost of Iron and Steel production in Ontario.

A second claim advanced by the applicants in favour of the cancellation of Item 1019 is that the drawback is not offset by any similar advantages. To quote from their statement:

> "It is submitted that the drawback of duty on coal used "for making coke, lowers the production cost of Companies "competing with Nova Scotia steel producers, and not being "offset by similar advantages given to Nova Scotia steel "makers, these last named are discriminated against."

We do not believe that a discrimination can be proven when the interests of the applicants are not affected by the item, as we have pointed out.

We have already indicated that free Coke was established in 1894. This condition existed, therefore, at the time the applicants' Furnaces and Steel Plant, now operating at Sydney, were established in 1900.

Their plants were located with the knowledge that Coke was free and had been free to other users for several years. Doubtless at that time it was realized that the Western Ontario territory was beyond the reach of Nova Scotia Coal, and certainly it would not have been feasible to deliver Nova Scotia Coke at Hamilton in 1895. The same conditions have prevailed since that time up to the present, and the fact has been generally accepted that fuel supplies from the Maritime Provinces could not reach beyond their natural economic markets to provide the wants of Western Ontario. It is consequently manifest why Item 1019 was justified and why it should be continued.

It is a recognized fact that the River St. Lawrence, so far as Canadian trade is concerned, has done more for the support of industry and mining in the Lower Provinces than any other factor, and has enlarged the economic sphere of influence of the Maritime Coal areas. If, with such an advantage, there are certain sections of the country which are beyond the successful reach of Maritime coal, where industry has been established on a definite tariff policy for over thirty years, we do not believe that your Board would be justified in considering a change in that tariff policy, as has been requested.

Public Policy Free Coke

The applicants contend that the duty on Coal has become part of a settled public policy in Canada, and, therefore, that it should be adhered to without deviation. We submit that this argument applies with equal force to the conditions under which the manufacture of Pig Iron and Steel was established in Canada, and which conditions have continued from the earliest days of their manufacture to the present time. The public policy of free coke has obtained throughout, and the important investments of capital made at Hamilton and Sault Ste. Marie, Ontario, were conceived, established, and have grown up under such a condition.

Pig Iron Duty

In this connection may we direct your attention to another important factor, namely, the duty on Pig Iron. Shortly after Coke was made free, in 1894, the duty on Pig Iron was reduced in 1897 from $4.00 per ton to the rate of $2.50 per ton General Tariff, and in 1898 the British Preferential Tariff reduced this by 25%. Again in 1906 the British Preferential Tariff was reduced to $1.50 per ton. The long established policy of free Coke for Blast Furnace use, to which we have referred, has been used, therefore, as the basis for lower rates of duty on Pig Iron.

Coal Imports

In considering the applicants' request, it is necessary that we should investigate the position to ascertain to what extent the Western Ontario consumers of coal for the production of coke, or, in fact, users of coal for other purposes, could depend for their supplies upon shipments from the Maritime Provinces.

Maritime Coal Distribution

We believe your Board will be interested in the figures showing the relative importance of coal shipments from the Maritimes compared with imports into Central Canada.

Schedule "C," attached, is a statement of Coal imports into Ontario and Quebec during the last eight fiscal years. These average—

Anthracite Coal	4,000,000	tons
Bituminous Coal	13,000,000	tons
Coke	550,000	tons
Coke (1927)	900,000	tons

The cost of the greater proportion of the 13,000,000 tons of Bituminous Coal imported is already enhanced by the existing duty, and it will be noted that over two million tons of Bituminous coal is annually imported into the Province of Quebec, and over a million tons of anthracite. The latter, contrasted with the shipments of Domestic Coke by the applicants in 1927, indicates possibilities in the way of securing a wider field for the sale of Domestic Coke in the Province of Quebec, to an extent which would permit of an appreciable increase in the movement of Maritime Coal to St. Lawrence Ports.

We believe you will be impressed with a comparison of the figures shown on Schedule "D," submitted herewith. Sheet No. 1 gives an extract from the Report of the Provincial Royal Commission on the Coal Mining Industry in Nova Scotia, representing the shipments of Nova Scotia Coal for the years 1913 to 1925 inclusive. Sheet No. 2 gives the same information for the years 1915 to 1927 inclusive.

Compared with the annual importation of 13,000,000 tons of Bituminous Coal into Ontario and Quebec, the annual shipments from Nova Scotia to all St. Lawrence Ports for 1913 to 1925 average 1,109,000 tons. The shipments for 1915 to 1927 average 1,099,000 tons. It has been explained that deliveries to the St. Lawrence were affected during the war. Taking the years 1919 to 1927 inclusive, nine years since the war, the average annual shipments to St. Lawrence Ports appear to have been 1,224,000 tons, total deliveries for the nine years being slightly over 11,000,000 tons.

The schedule indicates the varying supply available for shipment to St. Lawrence Ports, affected in some cases by labour disturbances, and in other years by the attraction of prices available in foreign markets. This latter is not an unnatural situation, because it is an important advantage to coal mining in the lower Provinces that it has the ability to reach foreign markets. However, it will be clearly recognized that it is quite impossible to rely upon coal from the Maritimes to supply the wants of Ontario Iron and Steel producers.

Omitting the record of war years, it will be observed that during 1920 shipments to the St. Lawrence Ports dropped as low as 241,000 tons out of a production of over 5,000,000 tons. In this same year practically a half million tons were supplied for bunker purposes, and Europe and other countries took, in 1920, nearly 600,000 tons. The same situation prevailed to a lesser extent in 1921, while in 1925, due to labour disturbances, shipments to St. Lawrence Ports were only 807,505 tons. It is only fair to point out that shipments during the past two or three years have been consistently higher than the average figures quoted.

If it is accepted, therefore, as we have endeavoured to prove that coal from the Maritimes is not available at the points of steel production in Ontario where substantial sums of money have been invested by the Iron and Steel manufacturers, there do not appear any good and sufficient reasons in support of the applicants' request that the drawback on Coal for the production of Metallurgical Coke should be cancelled.

Commodity Price Indices

As further proof of the position in which Iron and Steel producers are situated in respect to competitive prices applying to their products, we submit the following Index figures from tables made up by the Dominion Bureau of Statistics. For the year 1890 the wholesale price indexes were, for the following:

All Commodities	93.0
Iron and Steel	124.9
(This was before the manufacture of Iron and Steel in Canada)	
Bituminous Coal, N. S. Run-of-Mine	83.9

For the same commodities the Index figures for the year 1926 are:

(The year 1913 serving as par, or 100)

All Commodities	156.2
Iron and Steel	145.1
Bituminous Coal, N. S. Run-of-Mine	221.2

It will be observed that Coal prices have advanced greatly in excess of the average level of all commodities, whereas Iron and Steel prices are substantially lower than the average. It is evident that any additional burden in the shape of a duty on coal, would still further increase the disadvantage which the producers of Iron and Steel suffer at the present time.

Duncan Commission Proposed Bounty

The applicants have signified their acceptance of an alternative proposal in lieu of the cancellation of Item 1019, based upon a recommendation of the Royal Commission on Maritime Claims, which is quoted from pages 37 and 38 as follows:

> "Having regard to the bounty system previously applied "and to this aspect of the application of the drawback, we "recommend that a bonus should be given in respect of steel "when Canadian Coal is used in its manufacture, and that the "bonus should be calculated on the basis of the present draw-"back for every ton of coal used in such manufacture."

Doubtless the Maritimes Royal Commission gave expression to their sincere conviction in referring to the drawback under Item 1019 as being, in their opinion, a relinquishment of revenue, and, therefore, tantamount to a bounty.

Had their investigations been more complete, the situation would have been disclosed to them in its true perspective. We have already indicated in our argument elsewhere that in order to stimulate the production of Pig Iron, the free admission of Coke has been a settled tariff policy, and has continued since the early days of recorded Pig Iron and Steel Production. The duty on Pig Iron has been predicated upon the free entry of Coke for the manufacture of Pig Iron. The drawback on coal for the production of Coke for Blast Furnace use was, as has been shown, a natural and proper sequence to the free entry of Coke. We feel sure that a further investigation by the Royal Commission would have made it quite evident that Item 1019 did not relinquish any Government revenue.

No Revenue Relinquished

At the time it was established, in 1906, Coke was free and had been free for many years. The act of providing a drawback merely removed the anomaly existing at that time, viz., that Coke was free and Coal for its manufacture was dutiable. While free

Coke was being imported, no Coal was being imported for the manufacture of Blast Furnace Coke, and, therefore, no duty was being collected. Consequently, no revenue was relinquished when Item 1019 became effective.

No Drawback on Coal Used in Manufacturing Steel

An examination of the evidence submitted to the Royal Commission discloses the fact that one important witness made the definite statement that Coal used in certain steel processes was permitted free entry into Canada. This may have given the Commission a wrong impression, as the abstract from the Report of the Royal Commission which has been quoted above, refers to the drawback on Coal used in the manufacture of *steel*, and the statement submitted by the applicants, in its references, might lead you to conclude that all coal used in the production of steel is subject to a drawback.

An examination of Item 1019 will show that the Coal must be used for the production of Coke, and the Coke, in turn, used for the smelting of metals from ores. So far as steel manufacturing is concerned, this restricts the drawback to the coal used in the production of Coke for Blast Furnace use, in other words, for the manufacture of Pig Iron. Coal is dutiable when used in all processes of steel manufacture, as follows:

For the production of Power;

In Open Hearth Furnaces for the production of Steel;

In Soaking Pits in connection with the rolling of ingots into Blooms and Billets;

In Heating Furnaces for re-rolling steel Blooms and Billets into Bars or others Shapes;

For annealing and forging; also locomotives and Locomotive Cranes.

There are other minor uses for which Coal is dutiable, and it will be realized that the increased cost of coal, due to the duty imposed on supplies which *must be imported*, constitutes, already, a serious handicap to the steel producer whose products, when used for various purposes, have been placed on the free list.

In the discussion which occurred at the hearing on January 18th, 1927, the record discloses the applicants' acceptance of the recommendation, advanced by the Royal Commission on Maritime Claims, of a bounty on steel made from Canadian Coal, in place of the applicants' request for cancellation of Item 1019. In considering the merits of the Commission's recommendation, it would seem that in reaching the conclusion as noted above, the Commission took no evidence as to what would be the effect upon the situation as it existed elsewhere in Canada.

Effect of Proposed Bounty

The matter of first importance is the fact that any action of the Government to establish a bounty on steel produced from Canadian Coal would involve legislation of a most discriminatory character. We have shown that Canadian Coal is not available to Ontario producers of Pig Iron and Steel, who are consequently forced to import their supplies of Coal and are already compelled to pay the existing duty when used for certain purposes. It would be manifestly unfair to add to such a disadvantage by giving a competitor the advantage of a bounty as well.

The effect of the recommendation would be to offer a Government bounty available to only one manufacturer of Pig Iron and Steel. We do not recall similar legislation having been suggested to the Parliament of this country which would provide bounties for one producer not equally available to all other producers interested.

If there exist good and sufficient reasons which suggest that the Government should aid the production of Maritime Coal, it seems to us that becomes a matter for consideration and action as affecting Coal mining interests exclusively, because the policy, if it be accepted, must aim to assist, and confer its benefits upon coal mining. That there should happen to be in one section of the country a connection between coal mining and the production of Pig Iron and Steel, is only incidental and cannot justify the adoption of a Government policy, ostensibly for the purpose of assisting coal mining, when the benefits of that policy would accrue to those interested in Iron and Steel manufacturing.

All Manufacturers Should be Treated Equally

In our position as manufacturers of Pig Iron and Steel, we claim equal rights in that business with others. If a Government policy were adopted, applying to the Coal industry in Canada that would be a different matter, but, having regard to the investment of capital in furnaces and plant for the production of Pig Iron and Steel, we see no justification why Government aid should be extended in favour of a producer in one section of the country which is not available to others located elsewhere, when all are similarly employing Canadian labour in the manufacture of their products, and have invested their capital in Canada in the carrying on of their business.

A bounty as suggested becomes one, not intended to support coal mining, but one which would have the effect of giving a substantial advantage to one producer of Pig Iron and Steel. We think this fact must be clearly recognized if proper consideration is to be given the suggestion, and we consequently submit that it would be decidedly unfair to accept the proposal as being either sound or equitable.

Assembly Cost Contrasted

On the other hand, an examination of the actual conditions existing, discloses that the proposed bounty would still further add to the advantages possessed by the producer of Steel in Canada who is located adjacent to his own supplies of Coal. That producer in whose interest this bounty is suggested already has the advantage of having much lower cost of Coal than his competitors elsewhere, and is also more advantageously situated as regards costs of ore and limestone.

The advantage of assembling raw materials at a low cost is of particular importance in the manufacture of Pig Iron and Steel, as it requires almost one and a half tons of Coal to produce a ton of Coke, and two tons of Ore per ton of Pig Iron produced.

We do not expect the Government to offset the disadvantage of our geographical location as the choice in this regard is always dictated by all factors involved, but it would appear hardly fair that a Government subvention should be extended to that Steel producer in Canada whose natural advantages should enable him to produce at the lowest cost.

Viewing the practical effects of such a bounty, it will be agreed that its establishment will not create any added tonnage to the market in Canada for Pig Iron and Steel Products. It becomes, therefore, either a direct contribution of Government money to the exchequer of a single producer or else the bounty will serve the purpose of assisting the recipient to take business away from his competitors. We do not believe the latter to be properly within the compass of Government legislation, but that would probably be the effect if the proposal were adopted.

Tariff Revision Desirable

We agree to the other and more practical suggestion of the Royal Commission, that the problems of the Steel industry as represented by the substantial importations should receive the sympathetic consideration of your Board, with a view towards retaining within Canada the opportunity of supplying a certain share of the tonnage of Steel and Iron which is now being imported. Any effective means of reducing imports without in turn affecting the interests of other industries, would be the practical and approved way of dealing with this situation.

Canadian Steel Production

The production of Steel in Canada may be said to have lost ground compared with sixteen years ago, as will be shown by the following figures:

PRODUCTION OF STEEL INGOTS

Year	Gross Tons
1910	723,000
1911	768,559
1912	820,792
1913	1,006,149
Total	3,318,500
Average per Annum	829,625
1924	634,952
1925	735,898
1926	743,500
1927	867,928
Total	2,982,278
Average per Annum	745,570

It will be observed that the average of the four pre-war years is greater than that for the later period. In a measure, this situation is due to the fact that the production of steel rails in the years just before the war was more than 200,000 tons greater than the average annual output of recent years. Distinct from this, however, it is a fact that the consumption of other forms of Iron and Steel has increased and, in primary and secondary forms, a substantial share of our additional wants have been provided by importations.

The productive capacity of Canadian Steel Plants is much greater than the tonnage shown by recent annual output figures, and results in extremely keen competition for the business available. A measure of Tariff assistance which would help preserve for the Canadian producer some share of the tonnage imported, which, as pointed out, is assisted by many items providing free entry or 99% drawback, and in some cases, by depreciated currency and undervaluations, would materially improve the situation by providing sufficient tonnage to ensure a better and more economical rate of operations at all plants concerned.

It is important to recognize that costs of steel are largely dependent upon continuous operations, supported by a reasonable volume of tonnage. It is unquestionable that lower costs would result from increased tonnage production and would be reflected ultimately in lower sales prices. We are decidedly of the opinion that assistance of this description is far more practical than the consideration of any form of bounty proposed.

In conclusion we repeat the regret that we are forced to oppose the request of the applicants that Items Nos. 1049 and 1019 should be cancelled. We believe their suggestions are not based on any sound economic principle, and if granted, would render it still more difficult for the steel makers in Ontario to meet foreign competition, thereby reducing Canadian production, while not conferring any benefits upon the applicants.

Respectfully submitted,

THE STEEL COMPANY OF CANADA, LIMITED,

R. H. McMaster,

President.

SCHEDULE "A"

IMPORTS INTO CANADA

IRON AND STEEL PRODUCTS SUCH AS ARE MANUFACTURED BY PRIMARY STEEL PRODUCERS IN CANADA

YEARS SHOWN ARE FISCAL YEARS ENDING MARCH 31ST.

	1924			1925			1926			1927		
	Value $	Duty Collected $	Duty Per Cent	Value $	Duty Collected $	Duty Per Cent	Value $	Duty Collected $	Duty Per Cent	Value $	Duty Collected $	Duty Per Cent
Pig Iron	964,560	88,118	....	539,538	56,546	....	516,238	53,139	....	623,182	69,486	....
Ingots, Blooms, etc	216,323	4,915	....	74,943	2,150	....	106,169	3,726	....	163,984	4,689	....
Billets	383,096	22,425	....	336,630	22,089	....	404,859	33,702	....	422,888	31,479	....
Rods	751,709	51,499	....	846,940	76,223	....	1,243,823	138,536	....	1,409,732	165,932	....
Bars	3,534,507	439,963	....	2,492,461	245,791	....	3,933,301	311,828	....	5,076,665	470,981	....
Hoops and Bands	3,104,272	208,612	....	2,608,081	194,921	....	3,054,081	238,336	....	3,799,918	261,107	....
Sheets	8,547,290	977,594	....	6,567,573	706,608	....	7,416,326	844,500	....	7,701,152	898,862	....
Plates	5,358,966	356,451	....	3,169,384	264,405	....	3,933,106	395,307	....	5,463,241	517,996	....
Shapes	6,812,813	597,695	....	4,016,673	376,478	....	4,459,034	471,658	....	6,010,077	597,182	....
Ship Steel	396,035	....	....	359,680	....	....	240,553	....	....	297,396	....	....
Wires	2,417,274	79,896	....	1,570,778	66,718	....	1,921,011	96,033	....	2,203,450	97,066	....
Railway Material	2,616,756	475,913	....	667,636	112,712	....	888,970	176,303	....	1,149,275	229,969	....
Finished Lines	1,050,269	309,049	....	761,874	213,115	....	1,040,209	297,667	....	1,301,961	361,915	....
GRAND TOTAL	36,153,870	3,612,130	9.99	24,012,191	2,337,756	9.74	29,157,680	3,060,735	10.50	35,622,921	3,706,664	10.41

Schedule "B"
Sheet I

CANADIAN CUSTOMS TARIFF

Iron and Steel Goods—Free Items

445b	Pig Iron and Rolled Iron and Steel for makers of Agricultural Implements.
384a	Hoops, Strips and Sheets to be galvanized.
480	Barbed Wire and Steel Strip and Flat Steel Wire for Fencing.
404	Galvanized Wire, 9, 12 and 13 gauges.
481	Spring Wire, 10, 12 and 13 gauges and Homo Steel Spring Wire 11 and 12 gauges for Mattresses.
380	Boiler Plate for making Boilers.
384b	Hoop or Strip for making Cold Rolled Steel.
387	Swedish Horse Nail Rods.
395	Boiler Tubes.
397	Unwelded Tubes.
403a	Rope Wire and Wire Rope for ships' rigging.
444	Plates cut to shape for Agricultural Implements.
458	Locomotive and Car Wheel Tires.
463	Machinery and Structural Steel for building Beet Sugar factories.
464b	Materials and parts and Screws, Nuts, Bands and Springs for making Rifles.
470	Steel Masts, beams, angles, sheets, chain and steel manufactures not made in Canada, entering into construction of ships
472	Materials and Parts for Cream Separators.
473	Steel for Saws and Straw Cutters.
475	Crucible Sheet Steel for Mower and Reaper Knives.
476	Steel for Corset Steel, Clock Springs and Shoe Shanks.
476a	Steel for Phonograph Motor Springs.
477	Steel for Buckle Clasps, Bed Posts, Furniture Casters and Ice Creepers.
478	Steel for Bow Sockets.
478a	Steel for Saddlery Hardware and Hames.
479	Flat Steel Wire for Corset Wire and Dress Stays.
482	Steel or Brass Wire for Nailing Machines in Shoe Factories.
486	Brass covered Iron Tubings for Beds.
486a	Iron Tubing, Lacquered or Brass Covered and Brass Cased Rods and Trimmings for Carriage Rails.
487	Tagging Metal for Shoe and Corset Laces.
716	Iron Tubing, Lacquered or Brass Covered for Window Extension Rods.
725	Steel for manufacturing Rifle Parts.
726	Gun Barrels.
729	Horse Nail Rods.
737	Iron Tubing, brass covered for Towel Bars, Bath-Tub Rails and Clothes Carriers.
745	Metal Articles for use in the manufacture of Cream Separators
746	Skelp for making Wrot Pipe.

Schedule "B"
Sheet 2

CANADIAN CUSTOMS TARIFF

Iron and Steel Goods Subject to a Drawback of 99% of the Duty

1002 Pig Iron and Rolled Sections for use in the manufacture of Agricultural Implements.
1043 Materials and parts used in the manufacture of Agricultural Implements.
1007 Spring Steel for making Springs and Axles.
1008 Spiral Spring Steel for Railway Spiral Springs.
1009 Steel for Cutlery, Files, Augers, Auger Bits, Braces, Hammers, Axes, Hatchets, Scythes, Reaping Hooks, Hoes, Hay or Straw Knives, Forks, Rakes, Skates, Stove Trimmings, Bicycle Chains and Windmills.
1015 Steel Angles for Bedsteads.
1021 Wire Rods for making Galvanized Wire, 9, 12 and 13 gauges.
1023 Hexagon Bars for Cold Drawn or Cold Rolled Steel.
1005 Steel for Locks and Knobs.
1006 Steel cut to shape for making Spoons.
1036 Bars for making Coil Chain, Links and Shackles, 1⅛ inch and over.
1028 Materials used in the manufacture of Farm Traction Engines.
1045 Materials used in the manufacture of Unwelded Tubes.
1047 Materials used in making well-drilling machinery and apparatus.
1048 Materials used in making Fishermen's Boat Engines.

Drawback 80%

1027 Materials for Malleable Castings and Steel Shafting for use in the manufacture of Agricultural Implements.

Drawback 30%

1039 Materials and Parts used in the manufacture of Farm Traction Engines and Road Rollers.

Free Items when Imported Under the British Preferential Tariff

396 Seamless and Square Tubing for Agricultural Implements.
403 Crucible Cast Steel Wire valued at not less than 6 cents per lb.
410 Coil Chain, Links and Shackles, 1⅛ inch and over.
722 Flat Steel for the manufacture of Cups and Cones for Ball Bearings.
767 Drawn Hoop or Strip for the manufacture of Mats.

Add the Following Items:-

Drawback 60%

1062 Materials used in the manufacture of certain tools.

Drawback 50%

1063 Materials used in the manufacture of aircraft engines.

Drawback 25%

1055 Materials used in the manufacture of Automobiles and Autotrucks.

STATEMENT OF IMPORTS OF COAL AND COKE ENTERED FOR CONSUMPTION IN THE PROVINCES OF QUEBEC AND ONTARIO DURING THE FISCAL YEARS ENDED MARCH 1920 TO 1927

PROVINCE OF QUEBEC

YEAR	Anthracite Coal N.T.	Bituminous Coal N.T.	Coke N.T.	Total N.T.
1920	1,404,824	2,269,720	41,338	3,715,882
1921	1,544,933	3,368,518	53,456	4,966,907
1922	1,296,900	2,511,130	30,646	3,838,676
1923	1,136,280	1,842,685	40,546	3,019,511
1924	1,608,239	3,052,789	46,919	4,707,947
1925	1,362,699	1,390,306	33,314	2,786,319
1926	1,322,487	2,455,377	54,981	3,832,845
1927	1,521,363	1,739,988	91,897	3,353,248
Total	11,197,725	18,630,513	393,097	30,221,335
Avge. per annum	1,399,716	2,328,814	49,137	3,777,667
PROVINCE OF ONTARIO				
1920	3,562,568	9,187,535	326,989	13,077,092
1921	3,163,154	11,964,259	479,849	15,607,262
1922	2,943,268	10,048,353	170,796	13,162,417
1923	1,894,043	9,136,150	371,175	11,401,368
1924	3,046,243	12,300,401	617,545	15,964,189
1925	2,591,010	9,834,850	477,892	12,903,752
1926	1,765,344	10,402,759	845,629	13,013,732
1927	2,666,800	11,007,373	775,384	14,449,557
Total	21,632,430	83,881,680	4,065,259	109,579,369
Avge. per annum	2,704,054	10,485,210	508,157	13,697,421
Grand Total	32,830,155	102,512,193	4,458,356	139,800,704
Avge. per annum	4,103,769	12,814,024	557,294	17,475,088

SCHEDULE "D"

SHEET I

SHIPMENTS OF COAL FROM NOVA SCOTIA AND DESTINATIONS

1913-1925

	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
Nova Scotia, Land.	2,259,434	1,874,273	1,765,128	2,387,380	2,417,606	2,302,846	2,052,810	2,071,289	1,492,373	1,201,672	1,771,299	1,586,643	1,262,518
By Sea	339,609	329,063	350,303	438,921	463,181	456,112	459,908	373,906	368,298	233,576	346,179	195,770	22,285
New Brunswick	646,642	680,491	603,297	772,533	888,162	882,608	755,832	896,484	894,215	587,433	809,932	529,872	437,330
Newfoundland	210,554	225,589	208,692	251,124	236,530	219,185	272,229	297,435	223,916	202,668	232,420	209,230	141,588
Prince Edward Isl.	96,085	95,782	83,189	82,925	103,168	78,065	78,450	92,481	80,164	72,725	127,288	83,509	63,600
St. Lawrence Ports.	**2,193,228**	**2,381,582**	**1,828,769**	**994,944**	**303,012**	**134,449**	**344,662**	**240,702**	**903,136**	**1,106,878**	**1,604,674**	**1,570,733**	**807,505**
St. Pierre	6,650	8,636	10,472	5,790	6,043	5,395	14,390	10,170	7,305	9,557	8,888	8,296	3,400
United States	468,090	300,662	532,684	455,154	342,100	269,080	75,813	27,439	8,444	308,754	278,979	6,706	2,280
Bunkers	255,568	267,350	359,143	539,821	382,973	258,349	335,395	485,609	374,574	236,946	264,783	220,635	152,079
Other Countries	2,830	1,172	7,813	4,766	299								
Ontario	29							320		1,817		30	
Lost at Sea			8,417	350		7,395	5,740	262					
Europe							64,418	527,727	83,483	94	60,305	37,764	
Africa								61,405	4,003				1,023
West Indies								2,515	2,764		3,240		
United Kingdom									273,302				
	6,478,709	6,164,600	5,757,907	5,933,710	5,143,074	4,613,484	4,459,647	5,087,744	4,715,977	3,962,120	5,507,987	4,448,188	2,893,608

SCHEDULE "D"

SHEET II

SHIPMENTS OF COAL FROM NOVA SCOTIA AND DESTINATIONS

1915-1927

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Nova Scotia, Land.	1,765,128	2,387,380	2,417,606	2,302,846	2,052,810	2,071,289	1,492,373	1,201,672	1,771,299	1,586,643	1,262,518	1,820,217	1,848,141
By Sea	350,303	438,921	463,181	456,112	459,908	373,906	368,298	233,576	346,179	195,770	22,285	29,002	11,003
New Brunswick	603,297	772,533	888,162	882,608	755,832	896,484	894,215	587,433	809,932	529,872	437,330	537,901	562,546
Newfoundland	208,692	251,124	236,530	219,185	272,229	297,435	223,916	202,668	232,420	209,230	141,588	258,568	272,812
Prince Edward Isl.	83,189	82,925	103,168	78,065	78,450	92,481	80,164	72,725	127,288	83,509	63,600	104,993	104,828
St. Lawrence Ports.	**1,828,769**	**994,944**	**303,012**	**134,449**	**344,662**	**240,702**	**903,136**	**1,106,878**	**1,604,674**	**1,570,733**	**807,505**	**1,981,728**	**2,459,702**
St. Pierre	10,472	5,790	6,043	5,395	14,390	10,170	7,305	9,557	8,888	8,296	3,400	3,486	7,033
United States	532,684	455,154	342,100	269,080	75,813	27,439	8,444	308,754	278,979	6,706	2,280	18,271	3,551
Bunkers	359,143	539,821	382,973	258,349	335,395	485,609	374,574	236,946	264,783	220,635	152,079	323,457	393,042
Other Countries	7,813	4,766	299										
Ontario						320		1,817		30			
Lost at Sea	8,417	350		7,395	5,740	262							4,988
Europe					64,418	527,727	83,483	94	60,305	37,764			2,481
Africa						61,405	4,003				1,023		
West Indies						2,515	2,764		3,240				
United Kingdom							273,302						274,360
	5,757,907	5,933,710	5,143,074	4,613,484	4,459,647	5,087,744	4,715,977	3,962,120	5,507,987	4,448,188	2,893,608	5,077,623	5,944,487

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